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RUEHGL/AMCONSUL GUAYAQUIL 3672

C O N F I D E N T I A L QUITO 000617

SIPDIS

E.O. 12958: DECL: 07/08/2018
TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EC](#)
SUBJECT: FINANCE MINISTER ORTIZ QUITS, REPLACED BY WILMA
SALGADO

REF: A. QUITO 616
[1](#)B. 07 QUITO 1758
[1](#)C. 07 QUITO 1995

Classified By: Classified by DCM Jefferson Brown. Reason: 1.4 B and D.

[1](#)1. (U) Summary. Finance Minister Ortiz quit July 7 after refusing to approve the confiscation of assets from the owners of a bank that failed in 1999. President Correa immediately replaced him with Wilma Salgado, an economic professor who had been serving in the Andean Parliament and had been General Manager of the Deposit Guarantee Agency in 2003-2004. End summary.

[1](#)2. (U) Finance Minister Fausto Ortiz quit after he refused to sign documents for the government to seize assets of former Filanbanco owners and officials to cover losses from the 1999 collapse of the bank, which at the time was Ecuador's largest bank (see reftel a for more details on the asset seizures). Ortiz's resignation took place late the evening of July 7. No additional information has been provided on Ortiz's opposition to the asset seizure.

Steady Leadership

[1](#)3. (C) Ortiz provided steady leadership at the Ministry of Finance after he replaced Ricardo Patino, President Correa's first Finance Minister, in July 2007 (reftel b). In contrast to Patino, who raised doubts about the GOE's willingness to service its international debt, Ortiz told the Ambassador that his biggest challenge after taking the job was to lower the political profile of debt (reftel c), which he succeeded in doing. He initially focused his efforts on managing the federal budget, which was made easier by strong revenues thanks to high oil prices. He and his ministry kept a low profile on most other economic issues, although he worked to strengthen the GOE's ties to Inter-American Development Bank (IDB) and, with less success, the World Bank and International Monetary Fund (IMF). After initially ceding the Ministry's macroeconomic policymaking role to Coordinating Minister for Economic Policy Pedro Paez, Ortiz began to rebuild that side of his Ministry and play a more active role on non-fiscal economic issues.

Wilma Salgado, New Finance Minister

[1](#)4. (U) President Correa immediately named Wilma Salgado as the new Finance Minister, and she was sworn in on July 8. Salgado had been serving as an Ecuadorian representative to the Andean Parliament since 2007, a position she had to give up to become Finance Minister.

[1](#)5. (U) Salgado served as General Manager of the Deposit Guarantee Agency (AGD), Ecuador's bank deposit insurance

agency, from March 2003 to March 2004, under the Gutierrez administration. In that position, she was responsible for attempting to recover assets from banks that closed during the 1999 banking crisis. After leaving the AGD she was subject to a criminal investigation for her management of the AGD, as were other former AGD managers, in her case for alleged corruption in hiring AGD personnel. On July 4, the Constituent Assembly approved an amnesty protecting her and two other AGD managers from criminal charges stemming from their management of the AGD on the presumption that the charges were politically motivated (the amnesty also covered a number of other individuals, including former president Gustavo Noboa, who was charged with corruption in a bond issuance).

15. (C) Ivonne Baki, the current President of Andean Parliament and former Ecuadorian Ambassador to the U.S. and former Minister of Commerce with a pro-market orientation, told the DCM that Salgado would be a good Finance Minister.

International Debt Commission

16. (C) One challenge that Salgado will soon face is the upcoming report by a commission appointed by President Correa to review Ecuador's external debt. The Ministry of Finance's representative on the commission is former minister Patino, although Ortiz reportedly instructed Patino to give him several options in the report and not simply recommend default (reftel c). In Ortiz's absence, it remains to be seen if Salgado can exercise any moderating influence on the commission. An article published by Salgado in 2002 argued

that Ecuador's debt at the time was not sustainable and hindered Ecuador's ability to address social problems, but Salgado was restrained in her recommended actions (IMF flexibility, debt swaps, etc). According to the article, she

was a member of Jubilee 2000, an organization that argues the international debt burden for developing countries is unsustainable (Patino is the founder of the Ecuador chapter of Jubilee 2000).

Bio Notes

17. (U) Salgado is an economist by training, with a doctorate in economics from the Autonomous National University in Mexico, a masters in financial systems and development from Sorbonne, and a bachelors in economics from the Catholic University in Quito. Prior to her position at the AGD, she was an economics professor in the masters program for the Simon Bolivar Andean University in Quito. She also worked in the Central Bank, Ministry of Finance, as an economic consultant, and as economic advisor in Congress. She was born October 20, 1952 in Pifo, a small town on the outskirts of Quito. According to her bio, she is fluent in French and can read English.

18. (C) Comment: Ortiz was well regarded for his steady leadership at the Ministry of Finance, particularly for his ability to defuse the debt repayment issue after Patino's tempestuous statements on debt. We had assumed he would, if necessary, play a moderating influence on the upcoming international debt report. We also suspect he was a moderating voice in the economic policy debate within the GOE, and had had reasonably good access and influence with Correa. We do not yet know what kind of relationship Salgado has with Correa or the likely resulting dynamics of her integration into the senior economic team.

Jewell